

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-08 EUR-12 IO-13 ISO-00 COME-00 STR-04

TRSE-00 FEA-01 AGR-05 CEA-01 CIAE-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 ITC-01 USIA-06 PRS-01 SP-02

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FM SECSTATE WASHDC

TO AMEMBASSY PRETORIA

USMISSION GENEVA

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E.O. 11652: N/A

TAGS:ETRD, GATT, SF

SUBJECT: SOUTH AFRICAN IMPORT DEPOSIT SCHEME (IDS)

REFS: (A) PRETORIA 3227, (B) PRETORIA 3370

1. ALTHOUGH THE U.S. REALIZES THAT SA HAS RECENTLY
EXPERIENCED A SIGNIFICANT EROSION OF ITS TERMS OF
TRADE AND A GROWING TRADE AND BALANCE OF PAYMENTS
DEFICIT, THE EMBASSY IS REQUESTED TO INFORM SA
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OFFICIALS OF DEEP U.S. REGRET OVER ITS DECISION TO

ADOPT AN IDS. TRADE RESTRICTIVE ACTIONS SUCH AS THE IDS THREATEN TO ERODE THE ABILITY OF OTHER COUNTRIES WITH SIMILAR PROBLEMS TO RESIST PRESSURES TO USE PROTECTIONIST ACTION. ALTHOUGH WE REALIZE THAT SA IS BESET WITH SERIOUS PROBLEMS INCLUDING SOME SPECIAL TRADE PROBLEMS (E.G. PRECIPITOUS DECLINE IN PRICE OF GOLD), THE U.S. BELIEVES RESTRICTIVE TRADE ACTIONS MUST BE AVOIDED, PARTICULARLY IN VIEW OF THEIR NEGATIVE EFFECT ON THE RECOVERY OF THE WORLD ECONOMIES FROM THE RECENT RECESSION. THE FISCAL AND MONETARY RESTRAINT PROGRAM ESTABLISHED IN CONJUNCTION WITH SOUTH AFRICA'S REQUEST FOR A NEW IMF STANDBY ARRANGEMENT PROMISES AN EFFECTIVE ATTACK ON SA BOP PROBLEMS WITHOUT THE DANGER OF RETALIATORY ACTION BY INJURED TRADING PARTNERS, SOME OF WHOM MAY ALLOW POLITICAL MOTIVATION TO INFLUENCE THEIR DECISIONS. WE WILL INFORM YOU BY SEPTTEL OF RESULTS OF SA STANDBY REQUEST, WHICH IS CURRENTLY BEING REVIEWED BY IMF EXECUTIVE DIRECTORS.

2. THE U.S. IS DISAPPOINTED BY SA POSITION TOWARD CONSIDERATION OF THE IDS IN THE GATT BALANCE OF PAYMENTS COMMITTEE. THIS POSITION IS REGRETTABLE IN VIEW OF CURRENT EFFORTS TO MAKE THE BOP COMMITTEE MORE EFFECTIVE THROUGH THE REFORM OF ITS PROCEDURES. ALTHOUGH WE RECOGNIZE THAT IMPORT DEPOSIT REQUIREMENTS ARE NOT SPECIFIED AS ONE OF THE ACTIONS A CONTRACTING PARTY CAN TAKE FOR BALANCE OF PAYMENTS REASONS UNDER GATT ARTICLE XII, WE REQUEST THAT BOTH EMBASSY AND MISSION URGE SA TO NOTIFY THE IDS TO THE GATT UNDER ARTICLE XII AND TO AGREE TO BOP CONSIDERATION. THIS WOULD BE CONSISTENT WITH THE CURRENT EFFORTS TO FURTHER STRENGTHEN THE BOP COMMITTEE AND WOULD ENHANCE THE GATT'S ABILITY TO DEAL WITH MEASURES WHICH HAVE A DIRECT IMPACT ON TRADE. FOR THE ABOVE REASONS THE U.S. WILL STRONGLY SUPPORT CONSIDERATION OF THIS MEASURE BY THE BOP COMMITTEE.

3. (FYI - DEVELOPED COUNTRIES USUALLY RESIST LIMITED OFFICIAL USE

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DISCUSSION OF IDS AND SURCHARGES IN THE BOP COMMITTEE. IN THE RECENT PAST WE HAVE RELUCTANTLY GONE ALONG WITH REVIEW OF THESE MEASURES IN SPECIAL GATT WORKING PARTIES. HOWEVER, WE INTEND TO PUSH STRONGLY FOR MORE EQUAL TREATMENT OF DEVELOPING AND DEVELOPED COUNTRIES WHICH IMPOSE IMPORT RESTRICTIONS. BRAZIL RECENTLY UNDERWENT BOP COMMITTEE REVIEW OF ITS IDS. WE ARE PRESSURING ITALY TO THE SAME FOR THE TRADE

EFFECTS OF ITS PRIOR DEPOSIT SCHEME. -END FYI). HABIB

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